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THE AGRICULTURAL ADJUSTMENT ACT OF 1938

REMARKS

OF

SENATOR HENRIK SHIPSTEAD

IN THE SENATE OF THE UNITED STATES

FEBRUARY 14, 1938

RELATIVE TO

THE CONFERENCE REPORT ON THE BILL (H. R. 8505) TO
PROVIDE FOR THE CONSERVATION OF NATURAL SOIL
RESOURCES AND TO PROVIDE AN ADEQUATE
AND BALANCED FLOW OF AGRICULTURAL
COMMODITIES IN INTERSTATE AND
FOREIGN COMMERCE



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THE AGRICULTURAL ADJUSTMENT ACT OF 1938

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the agreements of the Senate to the bill (H. R. 8505) to provide for the conservation of natural soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce.

Mr. SHIPSTEAD. Mr. President, I know that other Senators desire to speak, and I have promised them that I shall conclude my remarks as quickly as possible. In order to avoid taking up time by a general discussion of the bill and interfering with other Senators who have remarks to make, I shall refuse to yield to any interruption. We are to vote at 3:30; and out of courtesy to other Senators who desire to speak I shall present the picture as I see it, and ask not to be interrupted.

From a study of the bill in relation to the general economic system of the country, I have come to the conclusion that the farm problem cannot be solved merely by voting on an agricultural bill. Some other things are necessary to bring the farmer the economic security to which he is entitled, and to which the bill says he is entitled.

I shall not criticize the bill. That has been done. I offer no criticism of the committee. But I have come to certain conclusions from a study of the bill, and I have followed the trail which I found it was necessary to follow in order to see how it would fit into the economic system of this country.

In the beginning, I must call attention to a little bit of history to show what agriculture has done, and how it has suffered from a constant attack upon its income by the nonagricultural population and by industry. So far as I have learned anything from history in regard to the course of past civilizations, I find that civilizations have gone down principally because of the exhaustion of agriculture, and the attack of the nonagricultural population upon the income of agriculture. I think we ourselves have already gone far in that direction.

I have here some figures which were compiled by the various departments of the United States Government; and, taking those figures and those statistics, I asked the Bureau of Agricultural Economics to prepare for me these graphs in order more specifically to illustrate the problem to the Senate.

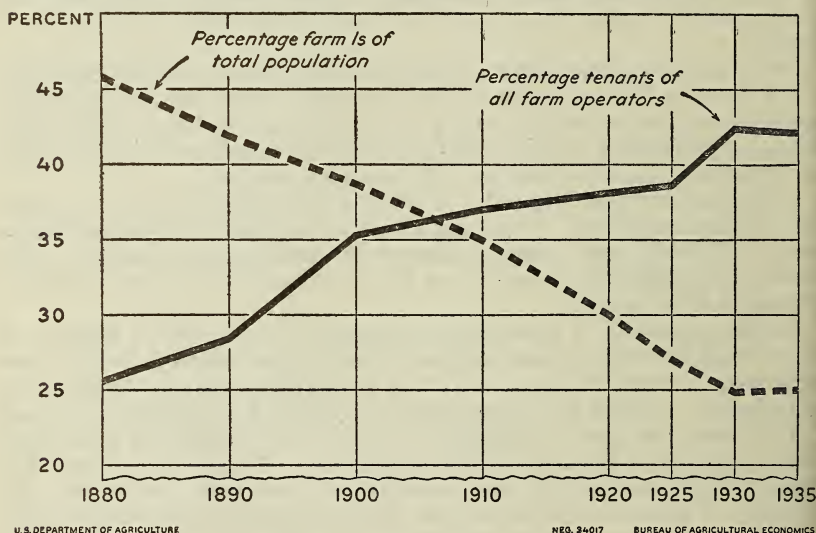
Here is a graph (No. 1) showing, from 1880 to 1935, the percentage of farm population in relation to the total population. In 1880 more than 45 percent of our population was on the farm. Today about 25 percent of the population is on the farm.

This graph shows how farmers are being deprived of their property and homes and becoming tenants. In 1880, 25 percent of our farmers were tenants. Now about 42 percent of our farmers have become tenants, showing that since 1880, and even before that time, agriculture has gradually been undermined, and has been suffering from a

constant, progressively intensive attack upon its income by the non-agricultural population.

During that period, what did agriculture do for the United States? It fed the population; and it did more than that. It fed the world. England forsook agricultural production and became an industrial country. Cheap food from the United States fed England's industrial population and so gave England supremacy in world trade. The money that built the railroads of the United States, the money that built the cities of many of our States, was raised by the issuance of bonds which were sold to European investors by the banking houses of Amsterdam, Antwerp, Paris, and London; and who paid the interest charges on those bonds? Our main and practically sole export was agricultural products; and the foreign exchange which paid the principal and interest owed by this country for building railroads, cities, States, and counties was paid by agriculture.

**PERCENTAGE OF FARMS OPERATED BY TENANTS AND CROPPERS, AND
PERCENTAGE FARM IS OF TOTAL POPULATION, CENSUS YEARS, 1880-1935**



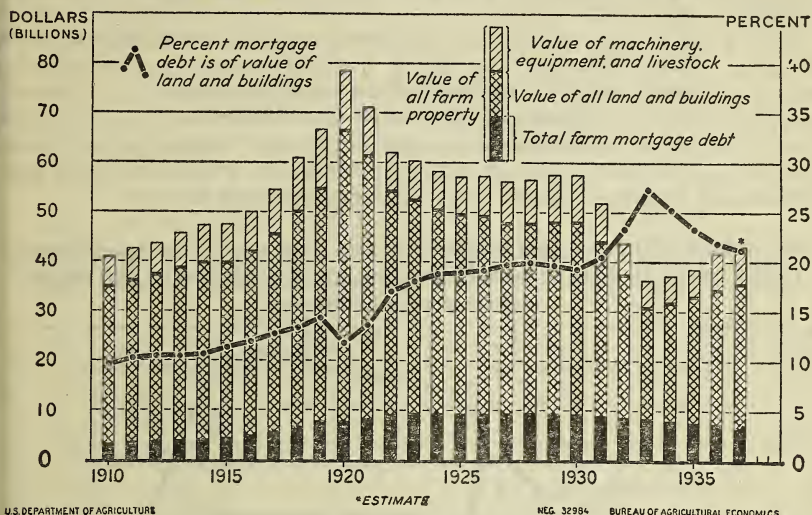
No. 1.

What did it cost the farmer to feed the world, build our cities and our railroads, and support our great shipping?—because the farmer paid the freight to Liverpool on every agricultural commodity that was shipped there, and thus our shipping was supported by agriculture. Furthermore, Liverpool fixed the price paid the farmer. What did it cost the farmer? He has been losing his farm, and the farm population has gradually been driven to the urban communities.

It has been suggested to me that because there are so many less people on the farms now, the farm population ought to be satisfied with less total income than it had proportionately in 1880 or in 1910. The answer to that is that these 25 percent of our population are feeding so many more people, and therefore they ought to have a greater share of the income. Consider the year 1910, when 35 percent

of our people fed themselves and 65 percent of the population. Like a boarding-house keeper who used to feed 4 people and now feeds 10, he ought to have more of an income for feeding 10 than he had for feeding 4. That is one illustration of what it has cost the farmer.

VALUE OF ALL FARM PROPERTY AND OF MORTGAGES ON FARM REAL ESTATE, UNITED STATES, 1910 TO DATE



No. 2.

I refer now to another illustration (graph No. 2), that of constantly increasing farm mortgages. In 1910, 10 percent of the valuation of the farm land and the buildings was mortgaged. Then, with the cheapening of the dollar, valuation increased. When the dollar became dear, a valuation of about \$40,000,000,000 in farm values was wiped out in 12 years, and now, according to the Department of Agriculture, 20 percent of the valuation of buildings and land, is mortgaged and 42 percent of the farmers have become tenants.

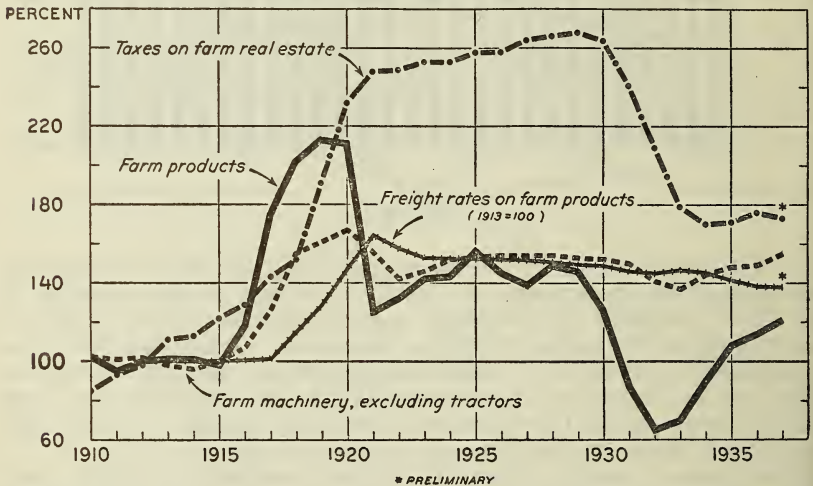
I refer now to another chart (No. 3), to show how this intensive and progressively intensifying attack on the income of the farmer has been accomplished. In considering this graph, and the period from 1910 to 1914, we assume that all these freight rates, farm-machinery prices, and farm prices, are at 100. Of course, they were not at par, but this is for the purpose of illustrating what has happened since 1915, to show the intensifying attack upon the income of the agricultural community.

It is confined, for the purpose of clarity, to only a few items, for instance, freight rates, farm machinery, and taxes. Here we see an increase in freight rates, and Senators will notice that the price of transportation, where the farmer pays the freight both ways on everything he buys and what he sells throughout that period of time, rose sharply and remained practically the same up to the present. That is on the theory that our industrial system and our transportation system are built on the belief that the higher the price the more prosperous the industry. If that were true, the railroads ought to be in

fine shape today. If that were true, the industries of this country ought to be in fine shape today. This shows, for instance, the prices of agricultural machinery constantly remaining the same, following a terrific increase after 1915. When the depression came, and they could not get the prices they had raised so high, they quit producing, and dropped to 6 percent of production. Here we see that, while industrial prices remain steadfast, farm prices slumped to almost nothing.

Here I show farm taxes, another terrific attack upon the farmer's income. While this chart to which I am referring applies only to farm machinery and to railroad rates and to taxes, the general economic picture as stated in figures of the Government itself would prove that other industrial prices are constantly increasing, and were generally maintained throughout the depression, which showed a persistent and constant attack upon the income of the farmer.

PRICES RECEIVED FOR FARM PRODUCTS, AND PAID FOR FARM MACHINERY, TAXES ON REAL ESTATE, AND FREIGHT RATES, UNITED STATES, 1910 TO DATE
INDEX NUMBERS (1910-14=100)



U.S. DEPARTMENT OF AGRICULTURE

NEG 32983

BUREAU OF AGRICULTURAL ECONOMICS

No. 3.

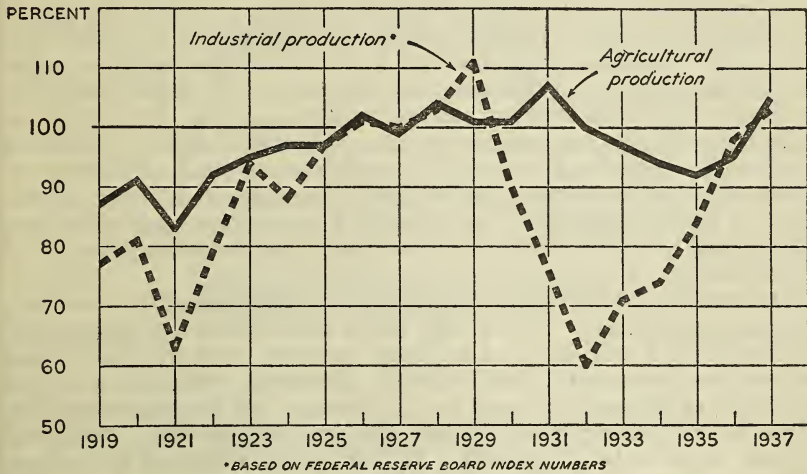
I refer now to another chart (No. 4), showing the production of agriculture and of industry. Senators can see that agricultural production has remained practically steady. Here we have the period of the drought. When the drought attacked 42 States, in addition to what we call reduction of production, with all that pressure against production, we succeeded in having very little reduction of production, and of course the cost of production on account of industrial prices remained the same.

Here is a line showing production of industry. Industry is supposedly based on the theory that is called mass production. It is not mass production at all, as I see it. The machinery is set for mass production but mass production is not permitted. The efficiency of the American system of production is not permitted to operate be-

cause the minute there appears to be from some source economic purchasing power in the country, the industrial system immediately starts to raise prices, and raise prices at a vigorous speed, as though they did not want people to buy. When purchasing power comes, prices start to rise, and interfere with sales and, therefore, production, because there are less sales on account of high prices. When they cannot get the high prices any longer, they shut the factories, and down goes production, withholding from the people the benefits of mass production and cheaper goods.

AGRICULTURAL AND INDUSTRIAL PRODUCTION. UNITED STATES, 1919 TO DATE

INDEX NUMBERS (1924-29=100)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 25322

BUREAU OF AGRICULTURAL ECONOMICS

No. 4.

How has that system worked? To me it seems very plain what the answer is. Instead of having poverty in plenty, as some say we have, we have poverty in potential plenty, because the machinery of plenty is not permitted to operate under monopolistic control of price and production. Everything is subjected to monopolistic price fixing, and unless industry can get the price it wants, it decreases production until it has exhausted purchasing power. People are thus deprived of benefits they should have because the purchasing power is destroyed.

Under that system, what is the logical conclusion? There are high prices and reduced production. As production is reduced, unemployment is increased. As unemployment is increased, larger sums must be appropriated for relief, and as larger sums are appropriated for relief, there are higher taxes, and that again increases costs, and induces higher prices, and that again reduces sales, because it exhausts purchasing power so much more quickly, and reducing sales reduces production, and reducing production increases unemployment, and that increases appropriations for relief, and that increases taxes, and that again increases costs, and there is the same cycle if continued to its ultimate conclusion, working over and over again until cost gets so high nothing is produced. That spells suicide. After all these years

of remedial legislation, still 10,000,000 out of work, 6,000,000 on part-time work, relief appropriations going up, taxes and tenancy increasing, and people dispossessed of ownership of property.

We have been told, and asked to believe, that the American system of industrial production is an intelligent system. High prices spell less and less production to be sold for more and more. Higher prices, less production—pay more and more for less and less.

If that were an intelligent system, certainly our industry today ought to be in a very flourishing condition. If that is an intelligent system of production and distribution, our laboring people ought to be employed all over the country. That has been the system to which we have been subscribing, and of which we have been so proud. Yet, I am informed that today, under that system, which is said to be so intelligent and so efficient and so excellent, 10,000,000 people are unemployed, and 6,000,000 people are working on part-time employment. No white man's country in the world has so many people on relief as we have. With the exception of Russia, there is no country in the world with so great natural resources as this. If our system of production were permitted to operate to its full capacity, if efficiency of production were not withheld through monopolistic practices, our people would all be working and enjoying the benefits of mass production. If mass production was permitted to operate, unit costs and prices would be lower, more goods produced, more labor employed, and more security.

Mr. President, that is not the system into which this bill intends to integrate agriculture. It is on the other hand based on the assumption, so far as I can see, that industry has been very intelligent, and has been very successful on the theory of scarcity, and that a system of scarcity of operation is good for the country and is good economics. If that be true, then the bill fits into the economic system of the country, and ought to be a part of it. If this bill will integrate agriculture into this system of production and make it a part of it and stop the constant, intensively increasing attack upon the income of the farmer, and give him the share to which he is entitled and the share that he must have, it ought to be adopted. I do not believe it will accomplish this.

Here is another graph (No. 5) showing industrial production and prices of durable goods. It will be seen that when the time came when people could not buy any more, prices were not reduced sufficiently to make any difference. The purchasing power had been destroyed through high prices. There was no more purchasing power, so production ceased, but prices remained the same.

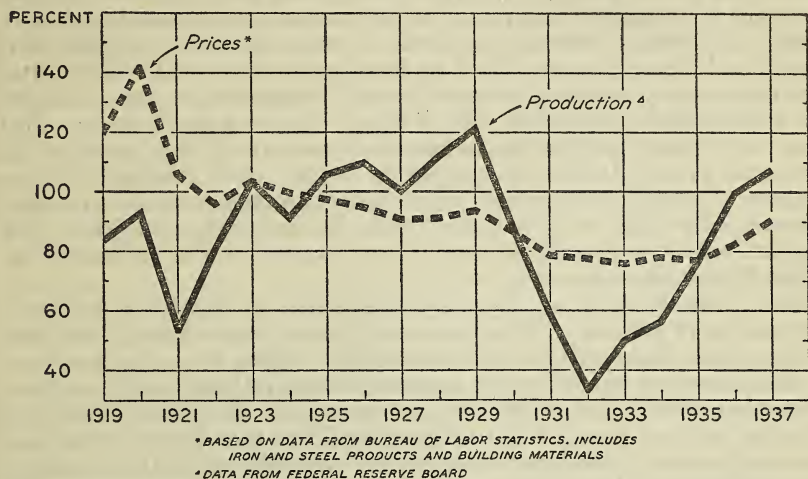
I indicate on the graph (No. 6) agricultural production and prices. Senators will see the difference between the two. Here are the industrial prices. Here is industrial production. Senators will see, however, that even with the drop in prices and with the curtailment of acreage agriculture was forced even by the cruel forces of nature to continue production, because of the difficulty of reducing production.

Mr. President, if high prices and controlled production represent the road which leads to salvation for the industrial system, then agriculture ought to be integrated into it. Suppose we do that. Suppose this measure will accomplish everything we hope for it; suppose that control of production is successful and that it is practical, and through parity payments on five major agricultural products will be given

a fair price—what is there to prevent these industrial corporations who control production and prices from again raising prices and taking away from the farmer every benefit he has under this measure?

INDUSTRIAL PRODUCTION AND PRICES OF DURABLE GOODS, UNITED STATES, 1919 TO DATE

INDEX NUMBERS (1923-25=100)



U. S. DEPARTMENT OF AGRICULTURE

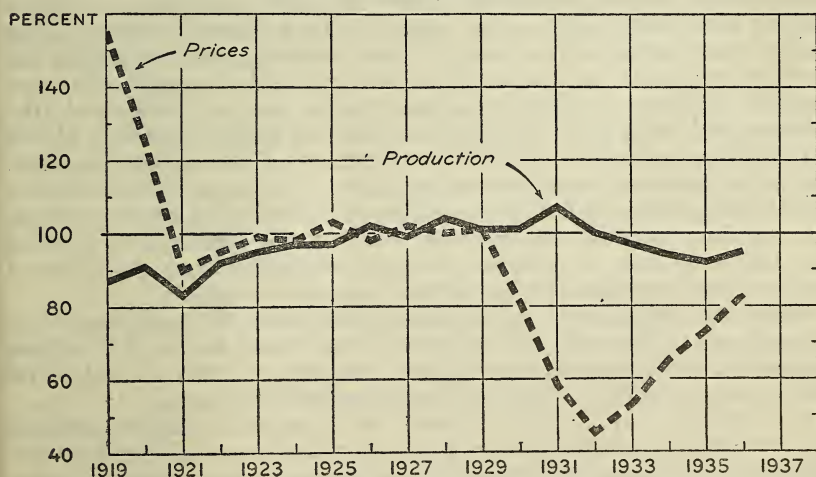
NEG. 32990

BUREAU OF AGRICULTURAL ECONOMICS

No. 5.

AGRICULTURAL PRODUCTION AND PRICES, UNITED STATES, 1919 TO DATE

INDEX NUMBERS (1924-29=100)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 26001

BUREAU OF AGRICULTURAL ECONOMICS

No. 6.

It is now generally conceded that the railroads are going to get an increase of 15 percent in their rates.

That means 30 percent, because a farmer who ships his grain to Liverpool delivers it at the price he receives at Liverpool. If he buys anything from the industrial part of the country, he must pay the freight back. So to him an increase of 15 percent in railroad freight rates means an increase of 30 percent.

On the other hand, I realize that the proponents of this measure say it has for its purpose giving to the farmer parity income. If he is to get that, and if this measure becomes a part of our legislation, fitting agriculture into the economic system, then the purpose of it ought to be carried out. As I understand it, the \$500,000,000 that was taken away for the purpose of benefit payments has been restored for conservation payments, and I think that is a good thing. But what will it cost to give the farmer what we say in this measure he ought to have? It must be raised by taxes. And the logical thing to do is to provide the money to give it to him, and then see to it that these monopolistic corporations which fix prices on everything the farmer buys cannot take it away from him under the system under which he has been operating.

The farmer's share of the national income, to which we say he is entitled, is 17 percent. That was about the average share he received in the period from 1910 to 1914, inclusive. There are more people to be fed now, and therefore the agricultural population ought to have more than it had out of the national income in the period from 1910 to 1914, because the agricultural portion of our population feeds more people, but that period and that income has been set as the standard, so we will accept that. What will it cost to give the farmer that? We must levy taxes to furnish parity payments on the five major crops. Then there are no parity payments for the farmer who does not raise one of the five major crops. There is great potential danger for the dairyman and poultry farmer, livestock man and fruit grower. He will practice soil conservation and he will get soil-conservation payments already provided in the old law, but there is nothing provided to give him parity price or his share in the national income. I am here to give the picture as I see it. But assuming we were to give the farmer 17 percent of the national income and assuming that the national income would be the same as it was in 1936, with the \$500,000,000 included. In 1936 he had not quite 9 percent of the national income. He is entitled to 17 percent of the national income. We must make up the difference in taxes. So far as I can estimate, in order to give him what he is entitled to and what he ought to have, we must levy taxes in the amount of about two billion to two and a half billion dollars, in addition to the \$500,000,000 we give him in conservation payments under the law enacted last year.

When the agricultural appropriation bill comes through, and if an amendment to that effect is offered, I shall vote for it, if Congress makes this the agricultural policy and integrates it with the industrial policy of the country. That will be the honest thing to do.

I am free to say I think industry is committing suicide, because under its system of operation it keeps more and more people on relief. When the Government started to spend money prices and production advanced right away. When the Government did not have any more of the taxpayers' money, the purchasing power went down and relief was started, and so we asked for more appropriations, and more taxes were levied, and because of the lack of operations people cannot get

work, they must be fed, and the taxes will undermine the industry itself.

I would with great reluctance cast a vote indicating that I thought this system of industrial production and price control was an intelligent system. For industry it is suicidal. If permitted to continue, it will bankrupt the country and bring ruin. I think it has gone a long way toward doing almost irreparable damage to our economic life, our political system, and to the country in general, and to our population, making paupers out of our people. More and more people have lost their homes and their farms; more will lose them. That is continually progressing in spite of all our experimentation and all our benefit payments. In 1936 the American farmer received about \$3,000,000,000 below his share of the national income.

Mr. President, I have been here a considerable time. I voted for agricultural bills because it was said they were the best we could get. I do not find any fault with anyone who votes for this bill. Anyone who believes in this present system of production and distribution ought to vote for it. I am not going to discuss its constitutionality. I assume that that has been done by men more able to do it than I am. I am discussing it simply from the standpoint of economics as a part of this present system of industrial production and control of prices.

I know that the measure is going to pass. I am not making these remarks for the purpose of preventing its passage. I know it is going to pass. But I would make one suggestion, if I may, that in the early future the Congress of the United States select from the House of Representatives and the Senate certain members of the Committees on Interstate Commerce, the Committees on Finance and Ways and Means, the Agricultural Committees as a joint committee to study the economic problems affecting the country as a whole. We have been approaching the solution of our economic programs piecemeal. We deal with the situation or approach the question very much as the blind men in the story who touched various parts of the elephant and then attempted to describe him. We say we must do something for the farmer, and then we say we must do something for the railroads, and then we say we must do something for the banks, and then we say we must do something for business, then something for labor. Out of this conglomeration we are not advancing, we are retrograding. We are getting more and more in debt, We are living by sucking our own blood. I apologize at this late hour for not being able to offer anything better, because the problem is too large to solve in a month or two, or even in a year. We have accepted bills prepared for us by so-called experts and get nowhere.

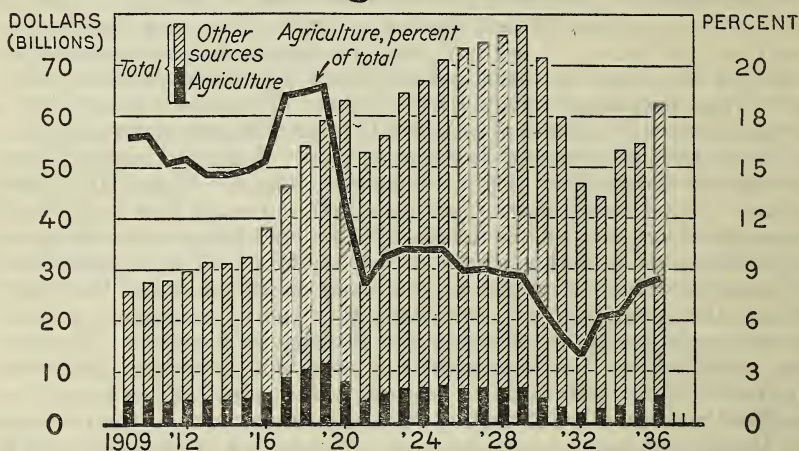
I call this to the attention of the Senate for the purpose, if I may, of showing how the economic system of the United States should be studied as a whole, with the idea in view of integrating one thing to the other, but not letting one arm of our economic system destroy another, because if one is permitted to destroy the other, the whole structure will fall.

I should like to call attention to just one more chart (No. 7). I have before me a chart which I exhibited to the Senate on a previous occasion. It shows a comparison of national income with agricultural income.

National income has varied with the variation in the value of the dollar. It has been said that the national income last year was something like sixty-five to sixty-eight billions.

The national income for the period of 1909 has been referred to as low. The reason why the national income seems low in that period is because the national income is stated in terms of dollars; and in comparing the national income for two periods the dollar represented in one period may not be comparable with the dollar of another period. The dollar is worth more at one time than at some other time; and while the national income may be increased in dollars, that does not necessarily mean that our national wealth has increased. It is very easy to raise the national income in terms of dollars. By cutting the dollar in two it is possible to raise the national income from \$50,000,000,000 to \$100,000,000,000. One can go even further than that.

National Income Available for Living, 1909-36



U.S. DEPARTMENT OF AGRICULTURE

NEG. 32916 BUREAU OF AGRICULTURAL ECONOMICS

No. 7.

One can take the dollar and cut it into four pieces, and call every 25-cent piece a dollar, and make the national income \$200,000,000,000, and instead of paying \$3 for a pair of shoes I will pay \$12. So, while some of these figures may indicate that there were a great many dollars—credit dollars—that does not necessarily mean that our national wealth was increased. Shutting off production does not increase the national wealth. It restricts the production of wealth. We may cheapen the dollar and make more dollars, but whether I make \$1 a day or \$10 a day makes very little difference if in either case I can buy a pair of shoes with my day's wages.

One of the charts represents the income of the agricultural population. It occurs to me that the resulting picture produced by the chart is quite appropriate. As you will see, one line represents the income of the nonagricultural population and another represents the income of the agricultural population. It seems quite appropriate, as shown by the chart, that the nonagricultural population should be standing on the backs of the agricultural population. Of course, the chart was not constructed to convey that idea, but the idea occurred to me in looking at the chart.

The chart for 1936 shows the national income in comparison with the agricultural income. The agricultural income, including benefit payments, production control, and so forth, should have been at this point [indicating] about 17 percent, rather than here [indicating] less than 9 percent. So it can be seen that in 1936 the farmer got only 50 percent of what he was entitled to.

If it had not been for the attack upon his income through the control of production and high prices of industries, his income would have gone much further than it did. It would have bought more. But the farmer was still suffering from the policy of constant attack upon his income. This attack is never interfered with by the Government. It is often encouraged by the Government, not only through legislation, but through decisions of our courts, and through the economic pressure of industrial and financial economic power.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. SHIPSTEAD. I yield.

Mr. TYDINGS. Do these charts represent the same dollar all the way through, or a varying dollar?

Mr. SHIPSTEAD. They show the situation in terms of the varying value of the dollar.

Mr. TYDINGS. The old dollar and the new dollar?

Mr. SHIPSTEAD. Yes. During the war we had credit inflation, which cheapened the dollar. Then we had deflation. Now we have another inflation, cheapening the dollar, so we must not believe that because we have a greater income in terms of dollars, we necessarily have an increase in wealth.

I think the bill, as it comes from conference, is in some respects a better bill than the bill which left the Senate. I think it is better as regards the details of the conservation payments and the management features. There is some provision in the bill for the insurance of wheat crops. The insurance feature is an interesting experiment, and I hope it will be successful. However, the bill involves commitment to a policy of industrial economics which I believe is destructive of our economic life, and which, if continued, will undermine our system of government, not because of the bill, but because of the economic forces which are at work in this country undermining our economic life.

Many people think such a system is intelligent and efficient. In my opinion, it is nothing of the kind. The bill, to my mind, seems to assume that it is necessary for the farmer to become a part of that destruction system. I hesitate very much to commit myself to such a policy.

I have a great deal of sympathy for the Members of the Senate who have worked so assiduously and so earnestly for this bill. I know their earnestness and sincerity, but I am becoming more and more convinced of the immensity of the problem we have to solve.

I apologize for my inability to be present last year when the foundation of the bill was laid. It was impossible for me to be present. I am not sure that I could have offered a better bill if I had been present.

From a recent study of this bill, I have come to the conclusion that the proposed legislation, as it would fit into our economic system, is intended to become a part of the destructive system to which I have referred and which is not Government regulated. If we are going to regulate agriculture, we must regulate industrial production and industrial prices. If we can do that, we may be able to stop the

destructive process. I do not know whether it is desirable for us to attempt such regulation. The ultimate logic of it is that we must go through with it. If that course is found to be the road to salvation, we will have to take it. I do not like the prospect of the consequences involved in such a program, because I have little faith in Government efficiency and honesty.

On the other hand, if something can be done to stimulate industrial production and do away with high prices, high profits, and monopolistic practices in connection with industrial production, it will be a good thing. The farmers have been forced to a policy of plenty, a policy of producing wealth in abundance, instead of restricting it.

Consider what the farmers did for the country when they produced to the limit. They built the country. As I have said, they built the railroads and the cities. The cities stand on the backs and on the graves of the farmers who made this country by producing real wealth in plenty. Perhaps it can no longer be done. I should be willing to join with anyone in making a study of the economic system of the country as a whole and in trying to see if we can establish an intelligent, sane, and economic balance. It has been said that the economic balance between agriculture and the urban population is what has kept France on her feet.

In 1931 England had to take drastic steps in her economic life. The first thing she did was to see to it that prices were not raised. We followed the opposite course. We have said that the road to salvation lies along the way of high prices and control of production. I repeat that if that is the road to salvation industry should be very prosperous and labor should be employed.

Mr. President, out of courtesy to other Senators who wish to speak, I do not want to take any further time of the Senate. At some future date I expect to have something further to offer, perhaps in the form of a remedy; but due to the lateness of the hour I shall not now take any more of the time of the Senate.

Mr. BORAH. Mr. President, I do not rise to discuss the bill at this time, although I hope to do so later. I should like to suggest that there ought to be some way by which to preserve the charts referred to by the Senator from Minnesota [Mr. Shipstead] so that the public may have the benefit of them in connection with the Senator's remarks. I understand it is not permissible under the rules to print them in the Record. I should like to ask those who are familiar with such things if it is practicable to print them as a Senate document.

Mr. McNARY. Mr. President, that question has been answered before. It is practicable, but it requires the unanimous consent of the Senate, in view of the rules. I think the Senator could get unanimous consent to have them printed as a public document.

Mr. BORAH. Mr. President—

Mr. SMITH. Mr. President, before the Senator begins, I should like to ask just one question of the Senator from Minnesota.

Mr. BORAH. I should like to submit a unanimous-consent request, and then I shall yield the floor. I ask unanimous consent, Mr. President, that the charts which have been referred to by the able Senator from Minnesota in his address be printed as a Senate document.

The PRESIDING OFFICER (Mr. Murray in the chair). Is there objection? The Chair hears none, and it is so ordered.

Mr. BORAH. The Senator's remarks, of course, should be included. I shall discuss the bill later.



